BULL & BEAR Bulletin

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Hysterical Media and the Stock Market

"It's the End of the World," "Worst April for the stock market since 1932," "The End of U.S. Exceptionalism," "…the administration's policy is insane," "Trump tariff tailspin worsens," "Trump Can't Win This Trade War. The Stock Market Is the Loser," "A Bear Market Looms," "The chaos – resistant portfolio," "The U.S. Came Close to Financial Disaster-and Could Again," "7 Market Pros Size Up the Chaos," and "Time is Running Out For Stocks. Trump's Next Move Is Crucial."

The above are mostly news story headlines from CNBC, WSJ, Barron's, CNN, MSN, Bloomberg, and NBC news that occurred in April with some quotes from "respected" financial "journalists." This is but a small sample of the media hysteria that occurred in April. On May 1st the media was still calling April a "loser for the stock market." So let's look at how much the stock market dropped in April. The month of April suffered a pedestrian 1.14% decline. To create a comparison, 2023 and 2024 were bull market years that rose over 20% plus each year. In 2024, December declined 2.5%, October declined 1%, and April declined 4.2%. In 2023, October declined 2.2%, August declined 1.8%, and February declined 2.6%. So compared with these six months that suffered market declines, only one of those months was slightly better than this past April. Yet we do not recall media mania infecting the narrative.

To reiterate, the S&P 500 was down 1.14% in April with the Magnificent 7 (the seven largest stocks that drove the market in 2023 and 2024) down 1.5% for the month and what we will call the S&P 493 (the remainder of the stock market) down 0.66%. The stock market, that was in a correction and down 10% from its high as of the April 3rd post Liberation Day sell off, actually ended the month out of correction territory. As we go to press, the year-to-date return as of May 8th has the S&P 500 down 3.7% driven by the decline in price/earnings multiple for the Magnificent 7, which are down 12.4%. The remainder of the stock market, the S&P 493 is up 0.6% year-to-date, hardly financial Armageddon. Stocks are back to where they were before the Liberation Day tariff announcement.

Another example can be seen on April 30th when first quarter gross domestic product (GDP) was released showing a reading of -0.3%. The morning media panic focused on the results being unexpected and was supposedly the first quarter of the coming recession. The S&P 500 opened down over 2% where it traded for the first hour the market was open. Over time, the market rallied that day and closed modestly up. Why? Because when someone actually analyses the data, GDP was negatively affected by 4.3% of net imports to the United States. Imports count as a negative in GDP calculations and the tariff situation created a stocking effect as retailers brought in as much inventory as possible before the tariffs. Personal consumption was up 1.2%, change in inventory was up 2.25%, fixed investment was up 1.34%, and government expenditure was down 0.25%; these are the other components to GDP. Due to vagaries with how imports affect inventories, it can be said that first quarter GDP, excluding the effect to bring in imports to dodge tariffs, was up between 1.5 - 1.8%. This is real economic growth. Perhaps we can recall the first two quarters of 2022 during the Biden Administration when GDP came in at -1.6% and -0.6%, but yet it was not declared to be a recession. The argument was that changes in inventories were not a real negative to job count in the United States.

We are not saying a bear market and/or recession are unlikely events. On the other hand, we have seen financial "journalism" spook the market causing more volatile downswings, which we have attempted to take advantage of by buying favored stocks at discounted prices. Recession odds are elevated, but are still below 40%.

To quote Warren Buffet, "be fearful when others are greedy and be greedy when others are fearful" or, as he said this month, "people have emotions, but you have to check them at the door when you are going to invest."